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Unemployment at 18.8% in 2009 Q4

¶1. (U) The official National Institute of Statistics (INE) fourth-quarter 2009 unemployment rate was 18.8%, a raise of almost 1% from the previous quarter. This is the third consecutive year that the unemployment rate has increased. Over 4.3 million Spaniards were unemployed, up by 1.1 million from the end of 2008. (INE, 1/29)

First Merger of Cajas from Different Regions

¶2. (U) The Bank of Spain recorded a win in its push to restructure the savings bank ("caja") sector when the boards of Cajasol (in Andalucia) and Caja Guadalajara (in Castilla-La Mancha) approved on January 26 their merger, the first between cajas of different autonomous communities (regions). Cajasol will account for 94% of the total assets in the new entity, and the Bank of Spain required Caja Guadalajara to merge because it determined Caja Guadalajara lacked economic viability because of limited economic activity in its own region. Autonomous community governments have opposed inter-regional mergers involving the cajas they control. The Andalucia and Castilla-La Mancha autonomous communities are both governed by the PSOE, which may have helped reduce opposition. The merger will not require any public resources, and it will have very little immediate impact on employment, as the two cajas' operations do not overlap. (El Confidencial, 1/27)

EC Approves FROB After 7 Months of Negotiations

¶3. (U) After 7 months of negotiations, the EC finally approved Spain's Orderly Bank Restructuring Fund (FROB), designed to provide public funds to facilitate the merger of distressed cajas. However the EC only approved it until June 30, which will require an increase in the pace of mergers. The EC confirmed an earlier announcement by Spanish First Vice President and Economy/Finance Minister Elena Salgado that the GOS will only be allowed to provide 2% of risk-weighted assets to cajas, although the GOS will be able to seek EC approval to provide more on a case-by-case basis. (EuropaPress, 1/28)

Telecommunication Frequency Auction Expected by Year-End

¶4. (U) The GOS hopes to receive between 800 million and 1 billion euros from telecommunication frequency auctions that will take place by the end of this year. The 800 and 900 MHz bandwidths are valuable to mobile communication providers because they require minimal investment but are ideal for hosting the GSM service found in all mobile phones. However, those frequencies will not be available until 2015. 2,600 MHz frequencies will also be auctioned, and they will be available immediately. Currently, digital televisions use the 800 MHz frequency, and the GOS will use much of the proceeds of the auction to foot the cost of migrating them to other frequencies. (Expansion, 1/26)

SOLOMONT